

**A Review of Book**

**A Call for Economics that Shapes  
Interests**

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Rodrik, Dani (2017). *Straight Talk on Trade: Ideas for a Sane World Economy*. Princeton: Princeton University Press

Donald Trump's shocking victory two years ago was immediately followed by strong disapproval from the public and mainstream media, much of which remains to this day. What is remarkably missing from the reactions, such as the "Not My Presidents Day" protests and the media obsession with Trump's Russian liaison, is a deep reflection on the underlying intentions of the white working-class population that cast its vote for Trump.

Perhaps this phenomenon is due to an overemphasis on the rational-choice model that economists and political scientists too readily accept. According to this model, political decisions are captured by "vested interests" that are taken as given. Therefore, the rise of Trump is a straightforward manifestation of his supporters' rationality, and there is no need to question whether his "America First" and anti-immigrant policies are truly in agreement with the white working-class population's self-interests.

In his book, Rodrik criticizes this model in his support for the role of "ideas" instead of "interests" in understanding politics. According to Rodrik, interests are not fixed, so we must pay attention to how they are shaped by our ideas of what they are. Many supporters of Trump,

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after all, hold highly contradictory beliefs that cannot be explained in the standard rational-choice model. For instance, as observed by Arlie Hochschild, a UC Berkeley sociologist cited by Rodrik, some of the direct victims of pollution from the petrochemical industry in red states were surprisingly against the government protection of the environment. Inept handling of environmental regulations in the past has left them with a deep-seated belief in the total incapability of the government as anything other than an institution helping minorities and immigrants “cut in line.” The end result was the vehement rejection of government by the ones who need it the most. Trump was artful enough to exploit this kind of sentiment to devise a narrative that worked in his favor. Benign policymakers were not.

Another problem Rodrik sees in the rational-choice model is that it ironically delegitimizes the role of policy recommendation. If special interests explain all government actions and eliminate the possibility of a sensible policy intervention, the only cure for economic inefficiency becomes *laissez-faire*, of which Rodrik is highly critical. Rodrik’s fundamental belief is that the phrase “free market” is a misnomer. Markets intrinsically require a set of rules and supporting institutions to function, as they are not “self-creating, self-regulating, self-stabilizing, or self-legitimizing.” Since there is no single principle that works everywhere, diverse rules and institutions must be constructed within nation-states to best represent their citizens and circumstances.

Rodrik is not altogether denying the role of interests in politics but is paying attention to their occasional flexibility. Compensating victims of rising inequality through redistribution, for instance, is not politically promising because the implicated interests are too rigid in this case. However, provided a prominent role of “ideas” in the political scene, bright and benevolent politicians and policymakers can identify the areas where interests are malleable. Then, they can devise innovative ways to reach an optimal outcome without leaving the elites feeling they are worse off, just as Mandela negotiated an end to apartheid by guaranteeing rights for the white minority.

Specifically, as an alternative solution to inequality, Rodrik proposes the concept of “innovation state.” As Europe responded to upheavals against capitalism in the early twentieth century by creating “welfare states,” we can address today’s inequality issue by creating public venture funds that would lead to some public ownership in future technology developments. Perhaps contrary to popular belief, the role of

state-funded R&D and industrial policy in innovation and growth has been indispensable, at least in the past several decades (Westphal 1990; Mazzucato 2015). This is why, for instance, computer science students today study the works of Edsger Dijkstra and Tim Berners-Lee, not Steve Jobs and Mark Zuckerberg. Rodrik's solution aims to prevent all of such public contributions from unfairly turning into privatized profits within the limits of malleability of interests. However, much contention remains regarding under what conditions state intervention could lead to success or inefficiency, and this intricate issue requires careful analyses, as in the studies of Singh and Bhangoo (2014) and Lee (2016).

In fact, the use of vague language and the tendency to skim over contentious topics are the most obvious limitations of this book. In response to the worry about inefficiency of government actions, Rodrik writes that such issue can be overcome with "clear objectives, measurable targets, close monitoring, proper evaluation, well-designed rules, and professionalism" without elaborating on any of these components. In another discussion on the same topic, he argues that the government must be "close enough to private enterprises to elicit the requisite information" but not "too close...that they are captured"—again without further explanation. The real challenge lies in how to bring about all these wonderful things. Instead of dedicating so many pages to reiterating points that had been dealt with in finer detail in his previous books, such as *Has Globalization Gone Too Far?* and *The Globalization Paradox*, Rodrik could have addressed possible doubts against his new proposals.

Another area where this book falls short is in the concern of fellow economists that this book may provide ammunition for protectionists. In the preface, Rodrik dismisses this concern by insisting that such a risk is present in any argument-making. Although he is certainly correct about this point, Rodrik could have done more to alleviate his peers' reasonable apprehension. Lay readers would have to squint to deduce that Rodrik in fact supports "maximum globalization" under preservation of "national policy space," as only the latter part is emphasized throughout the book. Rodrik's incaution becomes apparent when he defends restrictions on "social dumping," or imports that threaten domestic regulatory system, by claiming that such measures would not lead to "more protectionist abuse than current antidumping practices already do." His discussion almost reads as if he accepts the status quo of antidumping practices. At the least, since he does not

further explain the current antidumping practices, readers without much knowledge on this issue would not be left with enough skepticism about protectionist policy.

Readers must also keep in mind that Rodrik's model based on the role of "ideas" may work against his own arguments. Rodrik claims that events like Brexit and Trump's victory are revealing "the political fragility of the current form of globalization." However, his model permits a possibility that in contrast to what the public perceives, globalization did not have much negative impact on the population. As most economists agree, lack of national policy space or representation crisis caused by "hyper-globalization" may only be a minor contributor to the stagnant standard of living of the working-class population in developed nations.

Rodrik does briefly recognize this possibility. But he hopes that the takeaway message of the book will be that it is better for economists to actively engage in the public conversation, albeit with uncertainty and disagreements, before the likes of Trump take it over. As major challenges await modern capitalism, any reluctance to speak up from those who strive to discover and assess the truth about it is too risky. At times, Rodrik may seem unfairly critical of economists, especially when he singles out economics as a "field that has often lacked much self-reflection." No influential profession is free from attacks, and economists must take the heightened criticisms against them as a sign of their increased importance in today's society. Rodrik's acumen in both economics and politics culminates in a precious guide on how they can exercise their influence towards the common good more effectively.

## References

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